

MILK QUOTAS

**Some aspects of milk quota regime
in new Council regulation (EC) No 1788/2003**

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MILK QUOTAS IN COUNCIL REGULATION 1788/2003

Legal basis for the twelve-month periods from 2004/2005 (1 April 2004- 31 March 2005) until 2014/15 .

- **Council regulation (EC) No 1788/2003 establishing a levy in the milk and milk**
- **Commission regulation (EC) No 595/2004 laying down detailed rules for applying Council Regulation (EC) No 1788/2003 establishing a levy in the milk and milk product sector**

MILK QUOTAS

NATIONAL REFERENCE QUANTITIES (quota) specified for each Member State see Annex I of R. 1788/2003 in one column.

Quota based on “historic” milk production reference which takes into account the statistical and delivery records.

Individual reference quantities are allocated to each individual producers

·BUT: In fact Quota is divided into part deliveries and direct sales, which are managed separately at all levels

·For quota year 2005/2006, Commission has published a division of national reference quantities between deliveries and direct sales in Reg n° 490/2005 of 29 march 2005.



What is a delivery and a direct sales ?

DEFINITIONS Article 5 of R 1788/2003:

- ❑ **Deliveries** : any deliveries of raw milk (not including any other milk products) to a purchaser (Art 5 f)
- ❑ **Direct sales** : any sales or transfer of milk by a producer directly to consumers as well as any sale or transfer of other milk products. (Art 5 g)
- ❑ **Deliveries + direct sales**: marketing milk or milk products that means milk or milk products leave the holding or are used for commercial purpose at the holding
- ❑ **Total Production** –(Deliveries+ Direct sales) = On farm consumption

according Annex of Reg n° 490/2005

2004-2005	Deliveries	% Deliveries	Direct sales	% Direct Sales
Belgium	3.231.623	97,6	78.808	2,4
Denmark	4.454.894	100,0	454	0,0
Germany	27.768.309	99,7	95.518	0,3
Estonia	819.730	99,9	783	0,1
Greece	6.045.387	98,8	71.563	1,2
France	23.872.196	98,5	363.602	1,5
Ireland	5.390.830	99,9	4.934	0,1
Italy	10.281.085	97,6	248.975	2,4
Luxembourg	268.554	99,8	495	0,2
Netherlands	11.001.255	99,3	73.437	0,7
Austria	2.622.284	95,3	128.105	4,7
Portugal	1.861.474	99,5	8.987	0,5
Finland	2.399.475	99,7	8.231	0,3
Sweden	3.300.000	99,9	3.000	0,1
United Kingdom	14.482.261	99,1	127.486	0,9
EU15-TOTAL	117.799.358	99,0	1.214.378	1,0

2004-2005	Deliveries	% Deliveries	Direct sales	% Direct Sales
Czech Republic	2.614.412	97,5	67.731	2,5
Estonia	554.727	88,8	69.826	11,2
Cyprus	141.337	97,3	3.863	2,7
Latvia	631.856	90,9	63.539	9,1
Lithuania	1.279.788	77,7	367.151	22,3
Hungary	1.782.842	91,6	164.438	8,4
Malta	48.698	100,0	0	0,0
Poland	8.500.000	94,8	464.017	5,2
Slovenia	467.063	83,3	93.361	16,7
Slovakia	1.003.594	99,0	9.722	1,0
N10-TOTAL	17.024.317	92,9	1.303.648	7,1



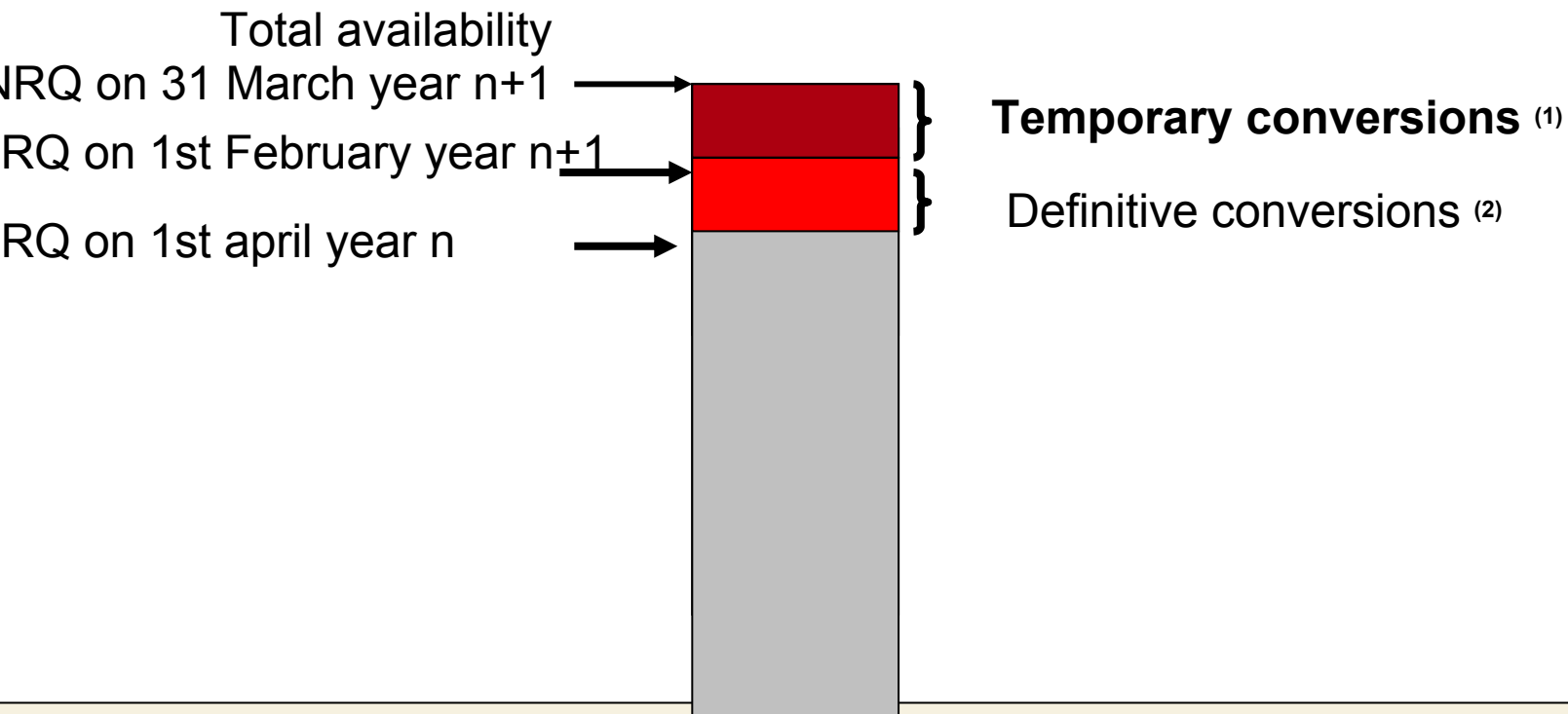
Conversions between Deliveries and Direct sales

CONVERSION Article 6 (2) and 8 of R 1788/2003 :

- ❑ **The producer can request to convert a quantity of milk from one reference quantities to the other (Art 6 (2))**
- ❑ **Conversion could be:**
 - ❑ **Temporary : the producer request to convert a quantity of milk from one reference quantity to the other just for a specific quota year.**
 - ❑ **Definitive: the producer request to convert a quantity of milk from one reference quantity to the other just for a specific quota year and the subsequent quota year.**
- ❑ **In case of definitive conversion, the Commission shall adapt, for each Member State and for the quota year concerned the division between “deliveries” and “direct sales”, in light of the conversions requested by producers (Art 8 (1))**
- ❑ **Definitive conversion shall requested before 1st February each year.**



What could be a national reference quantity (NRQ) at the end of quota year ?



(1) Quantities requested pursuant to Article 6(2) of Regulation (EC) No 1788/2003 and according the definitions provided for in Article 3 of the new Commission Regulation (EC) No.....

(2) Quantities requested pursuant to Article 6 (2) of Regulation (EC) No 1788/2003 and communicated according to Article 19 of the new Commission Regulation (EC) No.....



When a Member state is liable for levy ?

Article 2 of R 1788/2003

Member state shall be liable when any overrun of the national reference quantities is recorded. Deliveries and Direct sales are managed separately;

Article 10 of R 1788/2003

An Overrun is recorded when the sum of individual deliveries (1) above the National reference quantities.

- (1) adjusted by a positive fat correction



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What is the fat adjustment ?

Article 9 of R. 1788/2003

For deliveries, each producer shall be assigned a reference fat content to be applied to the individual reference quantities (quota allocated).

Article 10 of R. 1788/2008 (fat adjustment)

At the end of the quota year, each individual delivery shall be adjusted (increased or reduced) to reflect any difference between the real fat content and the reference fat content

- **Then if the sum of the deliveries adjusted is higher than the deliveries actually made, (positive adjustment), the levy shall be calculated on the basis of the total deliveries adjusted.**



How to calculate the milk fat adjustment ?

	Positive fat correction	Negative fat correction
Quota, Kg	910000	910000
Deliveries	930000	930000
Reference fat, g/kg (1)	41,13	41,13
Real fat, g/kg (2)	42,74	40,29
Difference, g/kg	1,61	-0,84
Adjutment, Kg (3)	27000	-14040
Adjusted deliveries, Kg	957000	930000

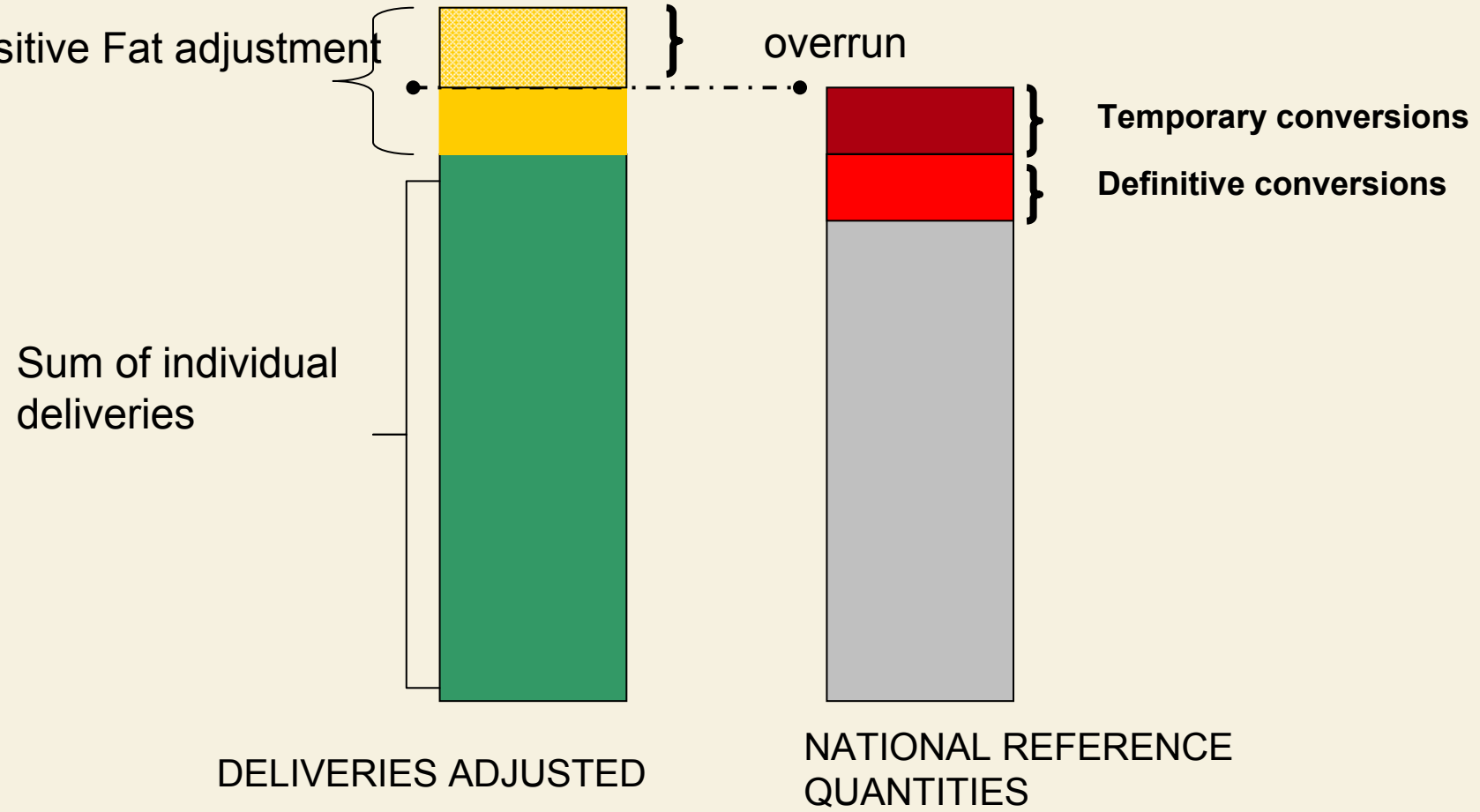
(1) Weighted average of individual representative fat content

(2) weighted average of the individual real fat content

(3) $(2) - (1) * 1,8 * 1,6$

What is a national overrun ?

In the case of deliveries



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Payment of the levy

Article 3 of R. 1788/2003

Member States shall be liable to the Community for the levy and shall pay it within the limit of 99% of the amount due, to the European Agricultural Guidance and Guarantee Fund.

Article 4 of R. 1788/2003

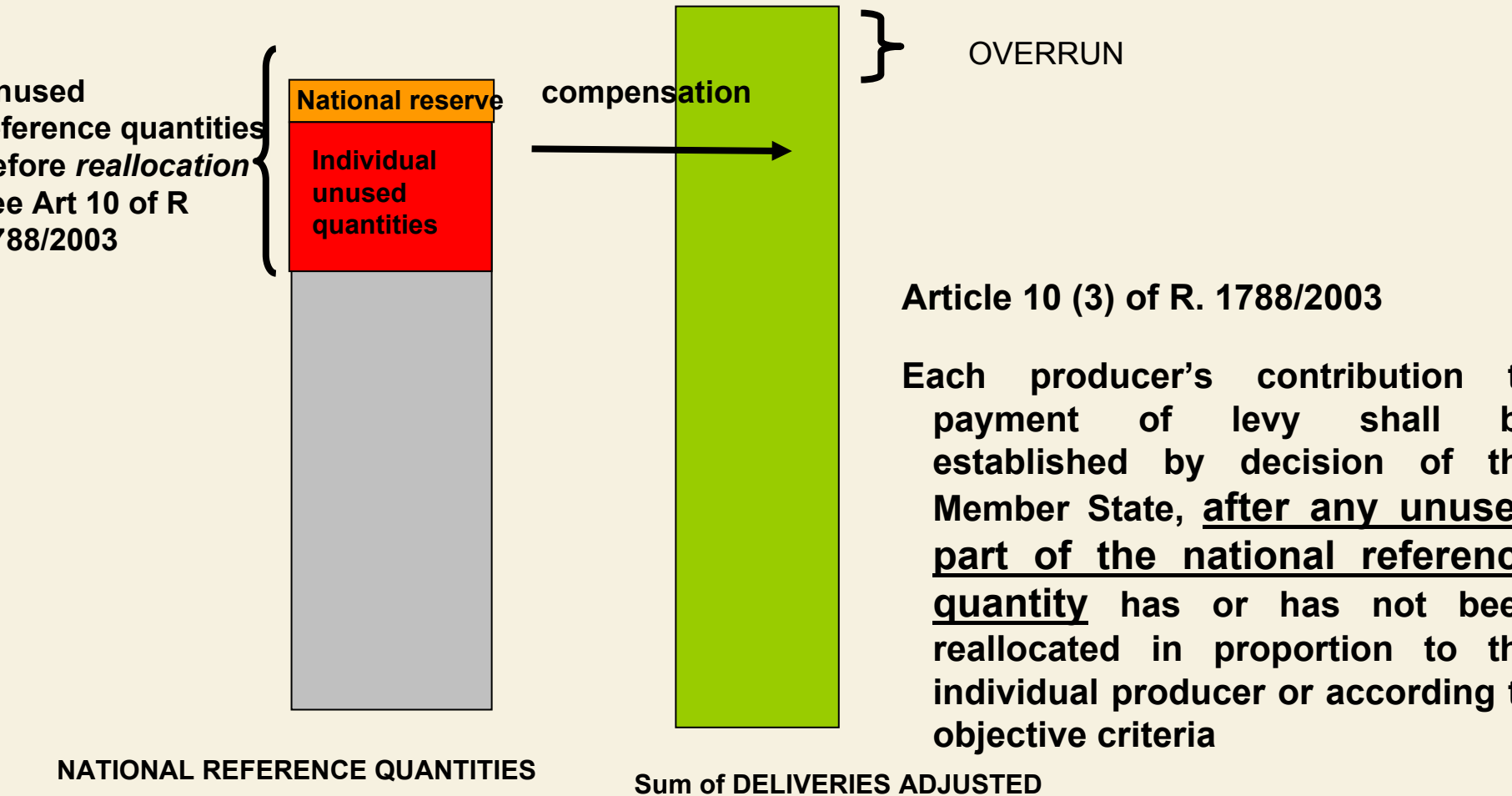
Producers shall be liable vis-à-vis the Member State for payment of their contribution to the levy due for the mere fact of having overrun their available reference quantities.

- Article 10 (3) of R. 1788/2003
- Each producer's contribution to payment of levy shall be established by decision of the Member State, after any unused part of the national reference quantity has or has not been reallocated in proportion to the individual producer or according to objective criteria



What is the unused quantities and compensation?

Article 10 (3) of R 1788/2003



NATIONAL REFERENCE QUANTITIES

Sum of DELIVERIES ADJUSTED

Article 10 (3) of R. 1788/2003

Each producer's contribution to the payment of levy shall be established by decision of the Member State, after any unused part of the national reference quantity has or has not been reallocated in proportion to the individual producer or according to objective criteria



MILK QUOTAS IN NEW COUNCIL REGULATION 1788/2003

PURCHASERS Art 5 of R 1788/2003

- ❑ Purchaser means undertaking or group which buy milk from producers:
 - To subject it to collecting, packing, storing, chilling and processing, including under contract
 - To sell it to one or more undertakings treating or processing milk or other milk products..
- ❑ Any group of purchasers in the same geographical area which carries out the administrative and accounting operation necessary for the payment of the levy on behalf of its members shall be regarded as a purchaser



MILK QUOTAS: Purchaser

- ❑ To be able to buy milk from producers and to operate in the territory of a Member State, purchasers must be approved by that Member State.
- ❑ Purchasers shall draw up a statement for each producer delivering milk to him.
- ❑ Purchasers shall forward to the competent authority their declarations for all producers (before 15 May each year).
- ❑ Penalties – Member State can also withdraw approval.



MILK QUOTAS IN NEW COUNCIL REGULATION 1788/2003

CONTROLS

- ❑ **THE AIM: TO COMBAT POSSIBLE IRREGULARITIES AND FRAUDS.**
- ❑ **Controls are a responsibility of the Member State.**
- ❑ **MEMBER STATES PREPARE THEIR CONTROL PLAN ON THE BASIS OF RISK ANALYSIS.**
- ❑ **Each purchaser shall be controlled at least once in 5 years.**



MILK QUOTAS Transfers

- **Article 17 of R 1788/2003**

Quota are linked to the producer's holding

Quota can be transferred from one farm to another by sale, lease or inheritance of farm

- **Article 18 of R 1788/2003**

Member States may authorize quota transfers without corresponding transfer of land for restructuring purposes.

- **Article 16 of R 1788/2003**

Member States may authorize temporary leasing of quotas within a 12 month period



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National reserve

- **Member State shall set up a national reserve as part of the national quantities by different way:**
 - Withdrawal of quantities from producers in case of inactivity (Article 15 of R 1788/2003): either from inactive producer or from less active producers;
 - Retaining part of quantities transferred as provided for Article 19 of R 1788/2003
 - Making across-the board reduction in all individual reference quantities
 - Taking back some quantities from producers by granting compensation s provided for Art 18 of R 1788/2003
- Member States shall adopt rules allowing for allocation to producers of all or part of the quantities from the national reserve.



MILK QUOTAS IN NEW COUNCIL REGULATION 1788/2003

COMMUNICATIONS

- 1) **QUESTIONNAIRE** (before 1 of September each year)
- 2) **CONVERSIONS** (before 1 of February each year)
- 3) **OTHER COMMUNICATIONS**